



July 1, 2003

Board of Trustees
Employer-Union Health Benefits Trust Fund

The EUTF Trustees have voted to pursue the hiring of a Third-Party Administration. This decision has observers wondering about the prudence of such a step at this early stage of implementing Act 88.

The "Cost Benefit Analysis of Captive versus Third-Party Administration" presented by the Gartner Group on February 5, 2002 concludes that:

"Each TPA scenario has a significantly higher cost over a Captive Administration indicating higher contributions from participants or lesser benefits (to participants) to lower costs."

What is troubling is that Trustees seem to imprudently ignore the advice of their statutory counsel. (See EUTF minutes of October 9, 2002) It is disconcerting and troubling to witness, at times, the lack of courtesy because research/opinion quoted or expressed is contrary to what some trustees or observers have desired.

As yet no clear and definitive role of a TPA has been established. While the Request for Proposals (RFP) and responses may address the scope of services and other pertinent bid issues, many other significant concerns remain:

1. Will the RFP require that TPAs expressly state they will undertake any and all work, known or unknown, but necessary to complete the work at no additional cost?
2. What will happen to the present Captive Administration?
3. Assuming that the Board can employ a TPA, was the power to dismiss the CA in order to minimize and eliminate duplication

expressly delegated to the trustees by the Legislature? If not, this additional cost must be factored into the equation. .

.The use of a TPA is a form of privatization. While we have no bias against privatization, we submit that it is not a "panacea for all ills" or all situations. EUTF is a state agency and the bottom line for it is **service**. There have been no creditable allegations, if any at all, that current staff is incompetent or incapable of carrying out its duties and responsibilities..

The decision to hire a TPA was made in Executive Session and only notice of the decision was given to the public. It is submitted that the Sunshine Law requires more than notice of a decision.

Reconsideration by the Board of Trustees of its action regarding a TPA would be the best evidence of its support and confidence in the staff. In the alternative, each Trustee should state in a public meeting the facts upon which their respective decisions were made.

.Sincerely,



Ruth P. Kim, Legislative Chair